

Message Text

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TAGS: ENRG OECD XX

SUBJ: SHAH'S PRESS CONFERENCE IN VIENNA DEC 28

1. IN PRESS CONFERENCE VIENNA DEC. 28 BEFORE HANDFUL OF SELECT AUSTRIAN JOURNALISTS AND RADIO/TV REPS, SHAH OF IRAN ENERGETICALLY DEFENDED MOST RECENT ROUND OF OIL PRICE INCREASES AND STRESSED THAT CRUDE OIL PRICES WOULD RISE CONSIDERABLY IN FUTURE. AT SAME TIME HE DECRIED USE OF OIL AS POLITICAL WEAPON.

2. SHAH EXPLAINED THAT IT IS ONLY EQUITABLE AND JUST THAT OIL PRODUCING COUNTRIES ARE NOW TRYING TO BRING PRICE OF OIL INTO LINE WITH THAT OF INDUSTRIAL GOODS, STATING THAT INDUSTRIAL COUNTRIES WERE LONG ABLE TO BUY OIL AT RIDICULOUSLY LOW PRICES WHILE GETTING VERY HIGH PRICES FOR THEIR INDUSTRIAL PRODUCTS. IN SUPPORT OF HIS LINE OF ARGUMENTATION SHAH, ACCORDING TO "DIE PRESSE", "LET BITTEREST WORDS FALL OUT ABOUT EXPLOITATION AND COLONIAL POLITICS," OBSERVING THAT PRICES OF PETROCHEMICAL PRODUCTS HAD INCREASED 3000 PERCENT SINCE 1947.

3. SHAH STATED OIL PRICE INCREASES SHOULD ACCOMPLISH TWO GOALS:
(1) ESTABLISH PROPER RELATIONSHIP BETWEEN CRUDE OIL PRICES AND PRICES OF INDUSTRIAL GOODS IRAN HAS TO IMPORT, AND (2) SHOW WORLD THAT OIL IS MUCH TOO PRECIOUS A RAW MATERIAL TO BE USED FOR
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HEATING AND MOTOR FUEL. HE SAID OIL SHOULD BE USED FOR PETRO-

CHEMICAL INDUSTRY ALONE, WHICH, IF DONE, WOULD EXTEND LIFE OF WORLD'S OIL RESERVES FROM THIRTY TO THREE HUNDRED YEARS.

4. AS WAY OUT OF CURRENT OIL PRICE CRUNCH, SHAH SUGGESTED TALKS WITH OECD RE TWO POSSIBILITIES (1) BOTH OIL AND INDUSTRIAL GOODS TO BE SOLD AT RELATED FIX PRICES OR (2) INCREASES IN OIL PRICES TO BE TIED TO INCREASES IN INDUSTRIAL GOODS VIA INFLATION FACTOR.

5. SHAH DISCUSSED AT SOME LENGTH IRAN'S ECONOMIC AND SOCIAL DEVELOPMENT AND SAID THAT FIVE-YEAR PLAN, WHICH HAD BEEN COMPLETED NINE MONTHS AGO AND WHICH PROJECTED A MINIMUM ANNUAL PER CAPITA INCOME OF \$904 FOR 1978, HAD BEEN LATER REVISED TO PROJECT MINIMUM PER CAPITA INCOME OF \$1500.

6. SHAH EXPRESSED HOPE FOR EARLY SETTLEMENT OF NEAR EAST CRISIS AND TERMED OPENING OF GENEVA TALKS ENCOURAGING. HE SAID HE WAS GLAD ARAB STATES HAVE AGAIN RAISED THEIR OIL PRODUCTION AND REMARKED THAT, ACCORDING TO HIS INFORMATION, US HAS BEEN SCARCELY HIT BY OIL BOYCOTT SINCE AMERICAN IMPORTS HAVE INCREASED RATHER THAN DECREASED.

7. ASKED ABOUT PROSPECTS FOR IRANIAN OIL FOR AUSTRIA, SHAH INDICATED AUSTRIA CAN SCARCELY HOPE FOR INCREASED OIL DELIVERIES FROM IRAN SINCE IRAN HAS NO FREE PRODUCING CAPACITY AND "BUYERS ARE WAITING AT OUR DOOR FOR ANY QUANTITY AT ANY PRICE." HOWEVER, IF POSSIBILITY NEVERTHELESS SHOULD DEVELOP, IRAN WOULD BE PLEASED TO WORK OUT ARRANGEMENT IN DIRECT NEGOTIATIONS BETWEEN IRAN AND AUSTRIA.

8. AT CLOSE OF PRESS CONFERENCE, ONE OF AUSTRIAN SECURITY GUARDS WAS QUOTED AS SAYING, "CONFERENCE WENT WELL; NO NASTY QUESTIONS WERE ASKED."

9. DEPT PLEASE REPEAT AS DESIRED.HUMES

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